




Human Resource Services
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To: Faculty and Staff with Accumulated Vacation or Sick Leave

From: Paula Varnes Fussell, Interim Vice President 
Human Resource Services

Subject: Introduction to the Retirement Special Pay Plan

In November of 2006, the University of Florida implemented a new retirement plan to provide maximum tax advantages for employees and the University related to eligible vacation and sick leave payments. This plan is the Retirement Special Pay Plan. It is an Internal Revenue Code Section 401(a) plan and has been implemented in partnership with BENCOR, a benefits service company specializing in the design, marketing, and administration of retirement plans. As a result of this implementation, your accumulated leave amount will be invested on your behalf with some significant tax savings to you. If your leave amount (vacation and/or sick) equals \$2,000 or more, you will be automatically enrolled and your leave amount will be invested in the BENCOR Retirement Special Pay Plan. If your leave amount is less than \$2,000, you will not be enrolled in the plan.

This program offers several significant advantages, some of which are:

- 1) The contributions to this plan are pre-tax, and your federal income taxes on your leave amount are deferred. No income taxes are paid on the contributions until they are withdrawn from the plan by you.
- 2) You save the Social Security and Medicare taxes you normally would have paid if you were not enrolled in the plan.
- 3) Contributions made to the plan on your behalf are immediately 100% vested.
- 4) There are no administrative fees associated with the plan for balances of \$1000 or more, and your account balance is portable. You may roll other retirement funds into the BENCOR account or you may roll funds from the BENCOR account into a retirement account with another provider.
- 5) You may withdraw your funds from the plan at any time following your termination of employment.

However, please note that if you are younger than age 55 in the calendar year in which your employment ends and you request an immediate withdrawal from the plan in that year, you will be subject to an additional 10% IRS tax on the amount withdrawn. There is no additional tax for employees who terminate employment at 55 years of age or older, nor for any withdrawals after you reach age 59½.

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To assist employees who may want to withdraw their funds immediately and would be subject to the additional 10% tax, the University is providing a "make whole" provision. The following circumstances must apply:

- The employee must notify the University Retirement Office (by email or by letter) within 60 calendar days of the date of separation from the University that he or she wants to take advantage of this provision. A sample letter that may be used to notify the University may be found at the University's web site. <http://www.hr.ufl.edu/retirement/other/specialpayplan.asp#forms>
- The employee must submit a withdrawal form within the same time frame (60 calendar days) and must request a cash distribution of the entire amount of the leave payment. The distribution form may also be found at the University's web site.
<http://www.hr.ufl.edu/retirement/other/specialpayplan.asp#forms>

Under these circumstances, the University will pay the 10% additional IRS tax less the employee's share of the OASDI (Social Security) and Medicare taxes saved by the employee as a result of the Special Pay Plan. The percentage will be 2.35% unless he or she has reached the maximum limit for OASDI payments. In that case, the percentage to make the employee whole could be up to 8.55%. The net result of the provision to you will be the same as if the contribution had never been sent to BENCOR.

Once the leave amount has been sent to BENCOR, an individual account will be established in your name. You may access the data about your account online through the BENCOR web site <http://www.bencor.com>. You may request your account number by email at questions@bencor.com or call BENCOR at 1-888-258-3422 after your leave amount has been sent. Your account number will be mailed to you at the home address provided by the University. Your password will be initially established as the last four digits of your social security number. We suggest you change your password the first time you log into the web site to access your account.

Enclosed is an enrollment form for you to complete with your investment choice and beneficiary (or beneficiaries) for the account. Investments are controlled by the participants. You may choose to invest your money in one or more of the 17 different funds available by using the enclosed investment election form. You may change the investments at your discretion online, via automated Voice Response System or by obtaining a new investment election form from BENCOR Administrative Services. If you prefer not to direct the investment of your funds, or fail to take any action, they will automatically be placed in the Guaranteed Pooled Account which is earning 3.85% APR through December 31, 2009.

Additional information about the plan may be found at the University of Florida's Human Resource Services web site <http://hr.ufl.edu/retirement/other/specialpayplan.asp>. If you have questions about this information, you may contact Retirement Services at 352-392-4941 or e-mail your question to retirement@ufl.edu.

If you have any questions about the investment options, please contact the BENCOR Corporate Office at 1-800-264-6889 Monday through Friday from 8:30 a.m. to 4:30 p.m. If you have questions about the BENCOR web site or accessing your account data, please call 1-888-258-3422

Enclosure